

Message Text

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ACTION SS-30

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E.O. 11652: GDS
TAGS: EMIN, EFIN, JM
SUBJ: BAUXITE SITREP NO. 13

1. SUMMARY: ALL SIX COMPANIES SENT LETTERS TO PM MIDDAY SUNDAY MAR 17 ECLOSING COMMON POSITION PAPER EXPRESSING SHOCK AND CONCERN RE GOJ POSITION AND OBJECTIVES STATED IN PAPERS DELIVERED AFTER FIRDAY MEETING OF PM WITH CHIEF EXECUTIVE OFFICERS (CEO'S). COMPANY POSITION PAPER STATES WILLINGNESS TO NEGOTIATE REVISION OF REVENUE PROVISIONS WITHIN FRAMEWORK OF EXISTING AGREEMENTS TO HELP MEET JAMAICAN NEEDS, BUT ADVISES THAT THEIR REPRESENTATIVES ARE NOT NOW IN A POSITION TO PROCEED WITH THE INDIVIDUAL COMPANY NEGOTIATIONS AS PREVIOUSLY SCHEDULED. THEY PROPOSE JOINT PLENARY DISCUSSIONS "TO DEVELOP A FULL EXPOSITION OF THE ECONOMIC SITUATION OF THE ALUMINUM INDUSTRY AND OF THE CRITICAL ECONOMIC PROBLEMS OF JAMAICA". GOJ SCHEDULE CALLS FOR SESSION WITH ALCOA 10AM MONDAY, MAR 18. FAILING GOJ RESPONSE TO THEIR PAPER, ALL COMPANIES PLAN TO SHOW UP THEN.

2. JOINT COMPANY POSITION PAPER (FULL TEXT SEPTTEL) ECHOS MAIN POINTS OF CONCERN EXPRESSED PRIVATELY BY VARIOUS COMPANY OFFICIALS TO CHARGE AND OPIC REP SINCE GOJ PRESENTED ITS PAPER FRIDAY. COMPANIES ESTIMATE BASIC REVENUE FEATURES WOULD MEAN AGGREGATE GOJ YEARLY TAKE OF \$230-270 MILLION, TRIPLING PRESENT COST OF

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JAMAICAN BAUXITE AND INCREASING ALUMINA COSTS UP TO AN ESTIMATED

50 PERCENT. WOULD MAKE THESE "WHOLLY NON-COMPETITIVE" AND GOJ PROPOSAL IS NOT "WITHIN THE ECONOMIC CAPACITY OF THE ALUMINUM COMPANIES TO ACCEPT".

3. FIRST PART OF COMPANY POSITION PAPER TAKES STRONG EXCEPTION TO FACT THAT GOJ PROPOSAL GOES BEYOND MODIFICATION OF EXISTING CONTRACTS TO MEET JAMAICAN REVENUE AND BALANCE OF PAYMENTS PROBLEMS AND WOULD DESTROY THE STRUCTURE OF GOVERNMENTAL COMMITMENTS ON WHICH PAST INVESTMENT WAS MADE. GOJ POSITION WOULD REMOVE "ALL PROTECTIONS OF ANY REAL VALUE", AND WOULD CONTEMPLATE "THE COMPULSARY ACQUISITION BY GOVERNMENT OF MOST OF THEIR HOLDINGS". POSITION IN GOJ PAPER IS FURTHER CRITICIZED AS MAKING ADDITIONAL PRIVATE INVESTMENTS IN JAMAICA'S BAUXITE AND ALUMINA INDUSTRY "VIRTUALLY IMPOSSIBLE TO OBTAIN" AND AS HAZARDING JAMAICA'S SHARE OF WORLD MARKET FOR WHICH IT IS ESSENTIAL THAT "THE PRINCIPAL INDUSTRIAL CUSTOMERS . . . CAN BE ASSURED OF LONG TERM SECURITY OF SUPPLY AT REASONABLE PRICES IF THEY ARE TO UTILIZE ALUMINA INSTEAD OF ALTERNATE MATERIALS".

4. COMPANY POSITION PAPER MAKES NO EXPRESS REFERENCE TO SPECIFIC FEATURES OF GOJ PAPERS (E.G., "PRODUCTION LEVY" FIGURES, SUBJECTION OF SALES REVENUES AND INVESTMENT OF DEPRECIATION CAHS TO JAMAICAN EXCHANGE CONTROL AND "CONTROL OF EXPORTS"). THIS APPEARS PART OF EFFORT TO REORIENT FUTURE DISCUSSIONS AWAY FROM GOJ TEXT. IT ALSO AVOIDS STATING JOINT POSITIONS ON PARTICULAR ISSUES OF ECONOMIC SIGNIFICANCE, MAKING THE RESPONSE ONE OF "ATTITUDE", NOT INVOLVING MATTERS NECESSITATING CLEARANCE, IN OPINION OF ANTI-TRUST MONITOR.

5. CONSENSUS OF VIEWS EXPRESSED BY COMPANY REPS IS THAT WHILE THEY REMAIN HOPEFUL THAT THE EXTREME GOJ PAPERS ARE ONLY "A LBOR NEGOTIATOR'S OPENER", THEY ARE SERIOUSLY CONCERNED BY THE CAVALIER APPROACH TO COMMITMENTS REFLECTED BY A GOJ DOCUMENT CALLING FOR THE ALTERATION OF THE FULL RANGE OF ASSURANCES ON WHICH INVESTMENT WAS COMMITTED. THEY ALSO DO NOT KNOW QUITE WHAT TO MAKE OF MANLEY'S FAILURE TO CONVEY THE REAL ESSENCE OF THE GOJ POSITION IN HIS MEETING WITH THE CEO'S.

6. ALL CEO'S EXCEPT MAIER OF KAISER HAVE DEPARTED; CONSISTENT WITH EARLIER UNDERSTANDING THAT NEGOTIATIONS FOLLOWING FRIDAY

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SESSION WOULD NOT INVOLVE PM AND CEO'S. IN INDIVIDUAL LETTERS TO PM MAR 17 FORWARDING POSITION PAPER, CEO'S EXPRESSED WILLINGNESS TO RETURN FOR FURTHER MEETING.

7. NOTHING IN LOCAL PRESS YET EXCEPT BRIEF ITEM IN GLEANER THAT "SECRET" TALKS WITH ALUMINUM COMPANIES ARE TO BEGIN MONDAY. PM EMPHASIZED HIS DESIRE TO AVOID PUBLICIZING NEGOTIATIONS. CEO'S ARE UNDERSTOOD TO HAVE EXPRESSED WILLINGNESS TO COOPERATE IN THIS IN-

SO FAR AS POSSIBLE WITHIN LEGAL DISCLOSURE REQUIREMENTS. CLOSE CONTROL APPARENTLY BEING MAINTAINED OVER DISSEMINATION OF POSITION PAPERS. ALCAN HAS ANNUAL MEETING MAR 21. COMPANIES APPEAR TO HAVE TAKEN POSITION THAT REAL SCOPE AND SIGNIFICANCE OF NEGOTIATIONS CANNOT BE DETERMINED BEFORE FURTHER MEETING WITH GOJ, AND WILL ADDRESS DISCLOSURE ISSUE THEREAFTER. COMPANIES OBVIOUSLY HOPE TO AVOID PUBLIC GOJ COMMITMENT TO POSITIONS STATED IN FRIDAY POSITION PAPERS. CLEARLY UNDERSTOOD IN CONVERSATION BETWEEN OPIC REP AND COMPANY COUNSEL (CUTLER) THAT LEGAL ISSUE OF DISCLOSURE IS A MATTER FOR THE COMPANIES THEMSELVES AND IS OUTSIDE OPIC COMPETENCE AND RESPONSIBILITY.

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